



State of Delaware Office of Auditor of Accounts At a Glance

Case ID- 2007-015

May 10, 2007

Working Hard to Protect YOUR Tax Dollars

Why We Did This Review

The Office of Auditor of Accounts (AOA) received a complaint regarding the Red Clay Consolidated School District relating to a contract they had with a vendor, NOR Enterprises, Inc. The allegation stated that no services were being provided to the District in return for the funds expended.

Background

NOR Enterprises, Inc. provides social, health, education, and training programs to "hard to reach" youth and teen populations. NOR Enterprises, Inc. has a staff of twelve part time and full time mentors, counselors, consultants, and outreach workers. NOR Enterprises, Inc. also has community volunteers who provide counseling, computer training, motivational talks, and one-on-one tutoring. NOR Enterprises, Inc. provides services at schools, community centers, and New Castle County Detention Center.

During the period of July 1, 2005 through October 31, 2006, the Red Clay Consolidated School District (the District) made payments of \$261,500 to NOR Enterprises, Inc.

A previous investigation of Red Clay Consolidated School District issued by AOA in April of 2005 included a review of payments to NOR Enterprises, Inc. AOA found that with regards to NOR Enterprises, Inc. the District did not comply with State procurement laws, there were no District records documenting that services were received from NOR Enterprises, Inc. and the District did not monitor contract performance.

For further information on this release, please contact:

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To view the full report, click on the following link:

<http://auditor.delaware.gov/Audits/FY2007/Special%20Investigations/CAK073505%20%20Revised%20Red%20Clay%20Contractual%20Services.pdf>

Red Clay Consolidated School District Contractual Services - Special Investigation

What We Found

The documentation received by the District from NOR Enterprises Inc. did not sufficiently reflect the services that were performed at the schools during the period of July 1, 2005 through October 31, 2006, and as a result AOA could not determine from the documentation alone that the District received all the services as outlined in the contracts. Management authorized payments to Nor Enterprises, Inc. and they were not supported by appropriate documentation and monitoring of the services provided.

- The payments made by the District had inadequate supporting documentation and the business office does not reconcile the invoices to records of services performed.
- There were minimal records of services received by the District from NOR Enterprises, Inc. and no records of services prepared or maintained by the District or the Schools. Neither the District nor the Schools prepared or maintained records of services received from NOR Enterprises, Inc. including goals and objectives to be accomplished by NOR Enterprises, Inc., who received the services, the dates and times the services were received, who rendered the services, and other pertinent information regarding service.
- The District did not comply with State Bid Laws for the procurement of services from NOR Enterprises, Inc. totaling \$232,500 during fiscal year 2006. There were Supplemental Educational Services (SES) contracts with NOR Enterprises, Inc. in effect during the period July 1, 2005 to June 30, 2006. However, the services received from NOR Enterprises, Inc. were not Supplemental Educational Services (SES), as defined by Department of Education (DOE) guidelines for Supplemental Educational Service Providers. This condition was disclosed to the District in a previous audit report by AOA dated April 20, 2005, and not corrected by the District.
- The District did not comply with State Bid Laws for the procurement of services from NOR Enterprises, Inc. totaling \$29,000 from July 1, 2006 through October 31, 2006. During this period the District contracted with NOR Enterprises, Inc. as a sole source provider. The District's sole source documentation for NOR Enterprises, Inc., dated August 23, 2006, is not in accordance with the provisions of 29 Del. C. Section 6985, Sole Source Procurement, that state there must be sufficient evidence that there is only one source, that no reasonable alternative sources exist, and documentation shall include the specific efforts made to determine the availability of any other source. The fact that the District issued a Request for Proposals (RFP) in October 2006, identical to the terms of the agreement in effect with NOR Enterprises, Inc. at the time and received five proposals supports the fact that NOR Enterprises, Inc. is not a sole source provider.

What We Recommend

- We recommend that the District agree invoices from NOR Enterprises, Inc. to appropriate supporting documentation to ensure that the services as outlined in the contract were received prior to payment. We further recommend that the District or the Schools maintain records of services received from NOR Enterprises, Inc. and monitor and report on vendor performance, and document the monitoring that is performed. AOA also recommends that the District review the overall cost of the program in light of the functions performed by NOR Enterprises, Inc. to insure that it is paying the proper rate for these services.
- We recommend that the District comply with State of Delaware Law regarding procurement of professional services. The purchase of professional services under \$50,000 requires no quotes or bids. For costs of \$50,000 or more, a public advertised bid request must be developed, advertised, and a formal bid opening must take place.
- We recommend that the District comply with State of Delaware Law regarding procurement of professional services. The purchase of professional services under \$50,000 requires no quotes or bids. For costs of \$50,000 or more, a public advertised bid request must be developed, advertised, and a formal bid opening must take place. When contracting for a sole source provider the District must comply with state procurement laws, 29 Del. C. Section § 6985.
- We recommend that the District develop written policies and procedures to properly and adequately detail the receiving, monitoring, and payment of services.